

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 FEA-01 CEA-01

ABF-01 SAJ-01 /095 W

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FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 945

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E.O. 11652:N/A

TAGS: EGEN, EFIN, EALR, GR, EINV

SUBJECT: GOG ANNOUNCES NEW BANKING CONSORTIUM TO PROMOTE  
INVESTMENT

REF: ATHENS 7604

SUMMARY: THE GOG HAS FORMALLY APPROVED THE ESTABLISHMENT OF  
A BANK CONSORTIUM CONSISTING OF THE NATIONAL BANK, THE  
BHELLENIC INDUSTRIAL DEVELOPMENT BANK AND THE NATIONAL  
INVESTMENT BANK FOR INDUSTRIAL DEVELOPMENT. THE PURPOSE OF  
THE CONSORTIUM WILL BE TO IDENTIFY SIGNIFICANT PROJECTS,  
FUND FEASIBILITY STUDIES AND GENERALLY TO PROMOTE AND CHANNEL  
DOMESTIC AND FOREIGN INVESTMENT INTO PRIORITY AREAS. ALTHOUGH  
IT IS TOO EARLY TO TELL HOW SUCCESSFUL THE PLAN MAY BE, ITS  
VERY FORMULATION ILLUSTRATES THE GOG'S SERIOUS CONCERN  
ABOUT THE NEED FORTUYPFADPZ

REFORM AND THE ATTENTION  
WHICH GOG LEADERS ARE BEGINNING TO GIVE TO LONGER-RANGE  
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ECONOMIC PLANNING. END SUMMARY

1. EXPANDING ON A CONCEPT FIRST ENUNCIATED SEVERAL MONTHS AGO, PRIME MINISTER CARAMANLIS HAS ANNOUNCED FORMAL APPROVAL OF THE ESTABLISHMENT OF A BANK CONSORTIUM CONSISTING OF THE NATIONAL BANK OF GREECE, THE HELLENIC INDUSTRIAL DEVELOPMENT BANK (ETVA) AND THE NATIONAL INVESTMENT BANK FOR INDUSTRIAL DEVELOPMENT (NIBID) (REFTEL).

2. DETAILS OF THE ACTUAL MODUS OPERANDI OF THE NEW CONSORTIUM ARE STILL BEING WORKED OUT UNDER THE DIRECTION OF BANK OF GREECE GOVERNOR ZOLOTAS AND MINISTER OF COORDINATION AND PLANNING PAPALIGOURAS. THE PRIMARY FUNCTION OF THE CONSORTIUM WILL BE TO IDENTIFY SIGNIFICANT PROJECTS, FUND FEASIBILITY STUDIES, AND GENERALLY PROMOTE AND CHANNEL BOTH DOMESTIC AND FOREIGN INVESTMENT INTO PRIORITY AREAS. IF ALREADY ESTABLISHED CONCERNS ARE NOT INTERESTED IN, OR NOT CAPABLE OF, CARRYING OUT PROMISING PROJECTS, THE CONSORTIUM WOULD FORM BUSINESS ORGANIZATION, GENERALLY AS PRIVATE CORPORATIONS WHOSE SHARES WOULD BE TRADED ON THE ATHENS STOCK EXCHANGE (THUS ALSO SERVING TO BROADEN THE DOMESTIC STOCK MARKET - PROVIDED THAT DEMAND ANTICIPATED BY THE GOV ACTUALLY MATERIALIZES). GOVERNOR ZOLOTAS OBSERVED TO ECON COUNSELOR THAT THE CONSORTIUM CONCEPT IS A NEW VERSION OF THE INDUSTRIAL DEVELOPMENT CORPORATION WHICH HE PERSONALLY PROPOSED 13 YEARS AGO; AND THAT ITS EXISTENCE WOULD HELP COMPENSATE FOR DEFICIENCIES OF INITIATIVE AND KNOW-HOW IN THE GREEK PRIVATE SECTOR. HE ALSO SAID THAT DURING HIS VISIT LAST MONTH TO THE U.S., SEVERAL MAJOR NEW YORK BANKS EXPRESSED INTEREST IN THE PROPOSAL AND WILLINGNESS TO FINANCE FEASIBILITY SURVEYS.

3. THE CONSORTIUM CONCEPT HAS MET WITH A MIXED REACTION IN THE LOCAL BUSINESS COMMUNITY. THE UNFELICITOUS USE OF CHEMICAL PRODUCTION AND BAUXITE EXTRACTION AS EXAMPLES OF POSSIBLE AREAS OF OPERATION EVOKED CRITICISM FROM COMPANIES WHICH ARE ACTIVE IN THOSE SECTORS. HOWEVER, SUBSEQUENT GOVERNMENT REASSURANCES, BOTH PRIVATE AND PUBLIC, THAT IT INTENDS ONLY TO SUPPLEMENT, AND NOT TO COMPETE WITH, PRIVATE INITIATIVE HAVE, FOR THE PRESENT AT LEAST, STILLED PUBLIC PROTEST. SOME UNEASINESS, HOWEVER, CONTINUES TO LIE JUST BELOW THE SURFACE.

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4. IN PRIVATE DISCUSSIONS WITH RESIDENT AND VISITING FOREIGN BANKERS, GOVERNOR ZOLOTAS AND OTHER BANK OF GREECE AND GOV REPRESENTATIVES HAVE REPEATEDLY MENTIONED THE GOV'S HOPE THAT THE CONSORTIUM WILL FOSTER THE INFLUX OF FOREIGN INVESTMENT AND TECHNOLOGY. SEVERAL OF THESE BANKERS HAVE OBSERVED TO EMBASSIES THAT THEIR PRINCIPALS ARE INTERESTED IN THE CONSORTIUM CONCEPT, BUT THAT THEY WILL WAIT UNTIL

OPERATING PRO-  
CEDURES ARE CLARIFIED, PRIORITIES ESTABLISHED,  
AND MAJOR PROJECTS IDENTIFIED IN AT LEAST PRELIMINARY FORM  
BEFORE COMMITTING THEMSELVES TO ANY PARTICIPATION.

5. COMMENT: ONLY TIME WILL TELL IF THE CONSORTIUM WILL BEAR  
FRUIT OR WITHER ON THE VINE LIKE OTHER INVESTMENT PROMOTION  
SCHEMES IN YEARS GONE BY. HOWEVER, WE MAY BE SEEING THE  
EVOLUTION OF A NEW, MORE PRAGMATIC AND AGGRESSIVE APPROACH  
TO DEVELOPMENT INVESTMENT, REFLECTING THE SERIOUSNESS OF THE  
GREEK LEADERSHIP TOWARD STRUCTURAL REFORM OF THE ECONOMY.  
SUCH REFORM CAN BE ACHIEVED WITHIN THE TIMETABLE THAT THEIR  
COMMON MARKET RELATIONSHIP IS IMPOSING ONLY THROUGH THE  
ADOPTION OF AN EFFICIENT INVESTMENT PROGRAM.  
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## Message Attributes

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